

THIS AGREEMENT, made and entered into at Nelson, Nevada, this 3rd day of May, 1913, by and between G. A. DUNCAN, *W.S.M.C. by G.A.D. H.M.B.* of Nelson, Nevada, and THE NEVADA-ELDORADO MINES COMPANY, a corporation organized under the laws of the State of Colorado, and engaged in business in Nelson, Nevada, and hereinafter referred to as the "Mines Company", by G. A. Duncan at its attorney in fact, *W*parties of the first part, and WALTER M. BROWN, of Searchlight, Nevada, party of the second part, WITNESSETH:

RECITALS:-

(a) The "Mines Company" owns that certain group of quartz mining locations, embracing eleven (11) patented and two (2) unpatented claims, commonly known as, and hereinafter referred to as, the "Flagstaff Group", together with sundry buildings, improvements and equipment, situate thereon, and located at Nelson, in Clark County, State of Nevada.

(b) There is a bonded indebtedness of Forty Thousand Dollars (\$40,000.00), due April 1st, 1915, upon said last-named property.

(c) Negotiations have been pending between the first and second parties for the sale of the Flagstaff Group upon certain terms and conditions hereinafter set forth.

(d) In order to make complete examination of said Flagstaff Group it will be necessary to unwater said property. In that behalf it is estimated that the property may be unwatered at an expense of \$350.00 more or less.

(e) Negotiations have been pending by and between the parties for the sale, by the first parties to the second party, of an undivided one-half interest in said Flagstaff Group.

(f) The "Mines Company" owns that certain group of patented quartz mining locations embracing four (4) claims, commonly known and designated as the "Yellow Ned Group", situate at Nelson, Clark County, State of Nevada. Negotiations have been pending between the parties for the sale of the Yellow Ned Group, upon certain terms and conditions hereinafter particularly set forth.

(g) This memorandum of agreement is intended to cover the preliminary negotiations between the parties; hereafter the said agreement will be reduced to a formal agreement, as hereinafter mentioned in Paragraph 28 below.

NOW THEREFORE, In consideration of the premises, and the sum of One Dollar (\$1.00), lawful money of the United States, paid to the first parties by the second party, receipt whereof is hereby acknowledged, and other good and valuable considerations, and the mutual covenants hereinafter set forth, the parties hereto have promised, covenanted and agreed, and do hereby promise, covenant and agree, as follows:-

1. The second party shall have and he is hereby given an option to purchase, and the first parties do hereby agree to sell to the second party, the several items of real and personal property hereinafter described, and upon the particular terms and conditions hereinafter set forth. The said several items of property are as follows:-

(a) The Flagstaff Group, together with all buildings, improvements and equipment hereinabove mentioned.

(b) An undivided one-half interest in the Flagstaff Group.

(c) The Yellow Ned Group, together with all buildings, improvements and equipment situate thereon, hereinabove mentioned.

THE FLAGSTAFF GROUP

2. The terms and conditions of the sale of the Flagstaff Group are as follows: The total purchase price is \$225,000.00 payable in sundry installments.

3. On demand, the "Mines Company" will place in escrow in the First National Bank of Los Angeles a good and sufficient deed, accompanied by an abstract of title, conveying the said Flagstaff Group, together with all buildings, improvements and equipment situate thereon, or appurtenant thereto, to the second party. The said deed shall convey a clear and unencumbered title. The said deed shall be delivered to the second party upon the full and final payment of the said several installments upon the several dates respectively set opposite thereto, to-wit:

August 1, 1913, - - - \$22,500.00

August 1, 1914, - - - \$67,500.00

August 1, 1915, - - - \$67,500.00

August 1, 1916, - - - \$67,500.00

4. If the second party shall fail, refuse or neglect to make the said payments or any of them, at the time and in the manner last hereinabove specified, then and in that event, the right and option to purchase said Flagstaff Group shall terminate and have no further force or effect, and any and all payments theretofore made shall be and remain the sole and separate property of the "Mines Company", as liquidated damages, and upon such failure and forfeiture the second party, his successors and assigns, will vacate and surrender up said property and the whole thereof to the "Mines Company".

5. Upon the execution of this agreement the second party with his agents, employees, servants and representatives, shall have the right to enter upon the Flagstaff Group for the purpose of inspecting, examining and sampling the said premises, and the whole thereof. Said entry and examination shall commence not later than June 5th, 1913.

6. In the event that the second party shall make the payment of \$22,500.00, mentioned in Paragraph 3 above, then and thereupon, the second party, with his agents, employees, servants and representatives, shall have the right to the exclusive possession of the Flagstaff Group, together with the right to break down, mine, extract and ship ore therefrom, during the remainder of the life of this agreement, subject to the terms hereinafter set forth.

7. With reasonable diligence the first party will proceed to unwater the Flagstaff mine. The second party will guarantee the expense of said operation to the amount of \$350.00, and will deposit in bank a sum in that amount, it being understood that if the operation costs less than \$350.00, then the balance of said sum shall be returned to the second party. If the work of unwatering said mine costs more than \$350.00, then the "Mines Company" will pay the excess thereof over and above \$350.00. If the mine is not unwatered by July 17th, 1913, then and in that event the payment of August 1st, 1913, above-mentioned, shall be extended so as to give the second party at least two weeks for an examination of said premises after the mine has been unwatered, and before said payment of \$22,500.00 shall be due.

8. All work prosecuted by the second party upon said premises, under the terms of this agreement, shall be prosecuted in miner-like fashion. In case of forfeiture or abandonment of the right to purchase the Flagstaff Group by the second party

then and in that event, the second party will leave all drifts, shafts and cross-cuts free of broken rock, and will leave the water in said mine not more than twenty (20) feet above the three hundred level thereof.

9. If the second party shall develop new ore in the prosecution of said work, then and in that event, and if the second party so desire, the second party shall have, and he is hereby given the right to break down, mine, extract, ship and market the said ore on a royalty basis, to-wit, a royalty of twenty-five per cent (25%) of the gross assay value thereof; provided, that the ore now opened up upon said premises, to-wit, those certain four blocks of ore mentioned in Mr. Amsden's report, shall not be broken down, mined, extracted, or shipped from said premises under the operation of this paragraph or any other paragraph of this agreement, until after \$150,000.00 of the above-named purchase price has been paid by the second party; and provided, further, that after the payment of said \$150,000.00, the said four blocks of ore, and any part thereof, may be broken down, mined, extracted, shipped and marketed by the second party, provided that the second party shall pay a royalty of fifty per cent (50%) of the gross value thereof.

10. All royalties due under the foregoing paragraph shall be paid monthly by the second party to the "Mines Company" and shall apply upon any installment or installments of the purchase price next thereafter falling due.

- B -

SALE OF CONTROL OF STOCK

11. If the second party does not exercise the above and foregoing option for the purchase of the Flagstaff Group, then and in that event the "Mines Company" will sell to the second party an undivided one-half interest in the Flagstaff Group

for an aggregate consideration of One Hundred Thousand Dollars (\$100,000.00), payable in the manner hereinafter set forth. The whole of said last named purchase price shall be expended in improvements upon said Flagstaff Group. Not less than Twenty Five Thousand Dollars (\$25,000.00) of said sum shall be expended upon mine development. The balance shall be expended upon the construction of a mill and surface improvements. The particular stipulations, prescribing the time and method of apportioning and applying the said payments, to the several classes of work and improvements last referred to, have not yet been definitely agreed upon by the parties. It is contemplated that the particularities in that behalf will be specified in the later formal agreement herein referred to.

12. The right of the second party to acquire said undivided one-half interest may be exercised by the second party by the full and final payment of said total sum of \$100,000.00 payable in sundry installments, as follows:-

(a) Not later than August 1, 1913, the sum of Five Thousand Dollars (\$5000.00);

(b) Thereafter, and not later than the first day of each succeeding calendar month, the further sum of Five Thousand Dollars (\$5000.00) per month.

In the event that the second party shall fail, refuse or neglect to make said monthly payments, or to apply the same toward the expenditures, work and improvements, monthly, mentioned in paragraph 11 above, then the right and option herein specified under this division of this agreement, to-wit, Division B, shall terminate and have no further force and effect, and any and all moneys theretofore paid or expended by the second party under this division of this agreement, together with the whole benefit thereof, shall be and remain the sole and separate property of the first party, and the second party shall have

no right to claim a recovery or repayment thereof, or any part thereof; and, upon such failure, refusal or neglect to make such monthly payments or expenditures, the second party will surrender and vacate the Flagstaff Group and the whole thereof to the "Mines Company".

13. Upon the full and final payment, or expenditure, of said total sum of \$100,000.00, the "Mines Company" will forthwith make, execute and deliver a good and sufficient deed to the new corporation hereinafter referred to.

14. Said deed shall convey a clear and unencumbered title subject to the lien of said bonded indebtedness hereinabove referred to.

15. It is contemplated, intended and agreed that in the event of the full and final payment of said sum of \$100,000.00 a corporation shall be incorporated under the laws of some suitable jurisdiction hereafter to be designated, which said company shall have a capitalization hereafter to be specified, whereof a certain part or proportion shall be designated as "Treasury Stock" (as hereafter to be agreed upon), and the remaining portion of the capitalization, herein designated as the "issued and outstanding stock", shall be divided equally between the "Mines Company" and the second party. Said new corporation shall have a directorate composed of five members. Other particularities concerning the characteristics of said new corporation shall hereafter be agreed upon. The deed from the "Mines Company" to said new corporation shall be in escrow in the First National Bank of Los Angeles prior to the date when the last payment is due on account of said purchase price of \$100,000.00. The "Mines Company" will take such corporate action as may be necessary to make the said conveyance a valid and binding corporate act.

16. The monthly payments last hereinabove referred to may be advanced and cumulated prior to the time said payments are

due, if the second party shall so elect; that is to say, the second party may expend more than \$5000.00 in any given calendar month, but this shall not operate to shorten the full period of twenty months in which the second party may complete the total payment of \$100,000.00, nor shall it operate to relieve him of the obligation to make payments in such manner as to satisfy the stipulation requiring at least \$5000.00 per month.

17. In the event that the second party shall acquire the control of said new stock, it is understood and agreed that the first party shall have an aggregate representation of two directors in a directorate of five (5) members of the said new company.

- C -

YELLOW NED GROUP

18. The second party shall have, and he is hereby given, the right to purchase, and the "Mines Company" hereby agrees to sell to the second party the Yellow Ned Group hereina-bove mentioned, for an aggregate consideration of Thirty Thousand Dollars (\$30,000.00), payable in installments as hereinafter set forth.

19. Upon demand the "Mines Company" will deliver in escrow to the First National Bank of Los Angeles a good and sufficient deed, accompanied by an abstract of title, conveying to the second party, a clear and unencumbered title to the said Yellow Ned Group.

20. The said bank shall deliver said deed to the second party upon the full and final payment of the aggregate sum of \$30,000.00 in several installments upon the dates respectively set opposite thereto, as follows, to-wit:-

August 1, 1913, - - - \$3,000.00

August 1, 1914, - - - \$9,000.00

August 1, 1915, - - - \$9,000.00

August 1, 1916, - - - \$9,000.00

If the second party shall fail, refuse or neglect to make the payments last hereinabove mentioned, or any of them, then and in that event the right and option herein defined under this division of this agreement, to-wit, Division C, shall terminate and have no further force or effect and any and all payments theretofore made on account of the purchase of the Yellow Ned Group, shall be and remain the sole and separate property of the first party as liquidated damages. And thereupon, on such failure on the part of the second party, the second party will forthwith vacate and surrender up the Yellow Ned Group, and the whole thereof to the "Mines Company".

21. Upon the execution of this agreement the second party with his agents, employees, servants and representatives, shall have the right to enter upon the Yellow Ned Group for the purpose of inspecting, examining and sampling the said premises, and the whole thereof.

22. Upon the payment of \$3,000.00 on August 1st, 1913, the second party shall have the right to take immediate and exclusive possession of the Yellow Ned Group, with the right to mine, operate, break down, extract, ship and market the ore, paying a royalty of twenty-five per cent (25%) upon the gross assay value of the ore, it being understood that all such royalty payments shall apply upon the next installment of the purchase price thereafter falling due.

23. During the life of this agreement the first parties, and their officers and accredited representatives shall have the right to enter upon the premises hereinabove described, for the purpose of inspecting the said premises and the progress of the work thereon.

24. Any bullion tax due from the operation of the premises hereinabove described shall be paid by the "Mines Company" and the second party on the same proportionate basis as the payment of said royalties. The "Mines Company" will pay all property taxes for the year 1913. Property taxes means all taxes other than bullion taxes. Thereafter, during the life of this agreement, all property taxes will be paid by the second party. This paragraph refers to all three divisions of this agreement.

25. During the life of this agreement, the second party will protect the "Mines Company" and the said Flagstaff and Yellow Bed Groups from any and all law suits and costs arising from accidents on aforesaid premises while the second party operates under this agreement, and all liens for work, labor and material, done upon, or furnished to, the said properties at the instance of, or under the authority of the second party.

26. This Agreement is a separable agreement, and not an entire agreement; that is to say, the failure of the second party to exercise his right to purchase any one of the above items of property, shall not operate to deprive him of his right and option to purchase the other items, or either of them.

27. The bonded debt of \$40,000.00 hereinabove mentioned shall be fully paid, liquidated and discharged by the "Mines Company" prior to the first day of April, 1915, in the event that the second party has paid all installments of the purchase price due in 1913 and in 1914; or, in lieu of such payment, some satisfactory arrangement for the payment of said bonded debt shall be made and consummated by the "Mines Company" which will relieve and discharge the Flagstaff Group from the lien of said debt. It is further understood and agreed that any and all other debts heretofore incurred, or hereafter incurred, by the "Mines Company", and which might operate as a lien or encumbrance

against the real property hereinabove described, shall be fully liquidated and discharged by the "Mines Company" out of the proceeds of the respective purchase prices, and prior to the time of the payment of the final installments due on said respective groups. In the event of failure of the "Mines Company" to discharge such indebtedness, the second party may pay such debts and apply such payment or payments upon the installment or installments next thereafter becoming due.

28. This agreement covers the preliminary negotiations between the parties. It is understood and agreed that the agreement between the parties hereafter shall be reduced to a formal written agreement, to be executed by the "Mines Company" directly, through its corporate officers, and after such corporate action has been taken in the premises by said "Mines Company" as shall be necessary to authorize a valid, corporate conveyance of said corporate titles. In that behalf, the "Mines Company" agrees that it will promptly take such corporate action, upon request of the second party, and will call such corporate meetings as may be necessary to make these several transactions a binding corporate act.

This agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the individual parties have set their signatures and the "Mines Company" has fixed its corporate name by G. A. Duncan, its duly authorized attorney in fact, the day and year first above written.

THE NEVADA-ELDERADO MINES COMPANY

By G. A. Duncan Atty in fact.
Walter M. Brown